

Homebuilders: No recovery until 2009

Economists give tepid outlook for housing prices and construction, which will continue to drag on economy.

By [David Goldman](#), CNNMoney.com staff writer

Last Updated: April 24, 2008: 11:52 AM EDT

NEW YORK (CNNMoney.com) -- The damaged housing and home construction markets will continue to take a beating at least through the end of the year, according to economists who spoke Thursday at a forecast conference sponsored by the National Association of Home Builders.

The economists said the deterioration of the housing market helped the U.S. economy slip into a recession that will continue through June. They said high oil prices will continue to hamper consumer spending, and the ongoing credit crisis will make home financing difficult, stalling a housing recovery until at least 2009.

Plummeting home prices negatively affect homeowners' wealth, and some mortgage borrowers have found that the value of their homes has fallen below the price of their mortgages, sending some homeowners into foreclosure. One economist forecast that before all is said and done, the housing crunch will have cost Americans \$400 billion in lost home value.

"All this downward momentum in home prices is really screwing up the financial markets," said NAHB chief economist David Seiders, adding, "Housing production will continue to drag on the economy until the first quarter of 2009."

Though the tax rebates from the government's economic stimulus package are expected to trigger a rise in consumer spending and confidence, any bounceback in housing is forecast to be slow - a bad sign for the overall economy.

"After the stimulus checks take their effect, the economy will need something else to support it in the first quarter of 2009, or else the economy is in trouble," said Seiders.

The conference was held in Washington.

Another trade group, the National Association of Realtors, reported Tuesday that sales by homeowners fell 2% in March despite home prices falling 7.7% in March and 8.2% in February - the largest year-over-year price drop on record. The median home price in the United States has tumbled 12.8% since the record high reached in July 2006, and existing home sales have been in a virtual free-fall since July 2007.

But the economists said the housing market is nearing its bottom, with existing home sales bottoming out toward the end of 2008 and sales of new single-family houses picking up perhaps as early as the second half of 2008.

"We're not out of the woods yet, and recovery will be very tepid," said Global Insight economist Nariman Behravesh, who predicted net home sales will enter "small positive territory" in the second half of 2008.

Though Behravesch forecast continued recovery throughout 2009 and 2010, he said there is legitimate concern that home prices could again slip in the first quarter of 2009 after the effect of the stimulus package wears off.

A homebuilders' recovery may take a bit longer than the real estate market's comeback, according to the economists.

"The explosion of single-family building permits in 2003 to 2005 produced an unsustainable, unprecedented run-up in the building economy," said Seiders.

But when the housing market crashed, new housing permits "fell off a cliff," according to Seiders, returning to levels not seen since the 1991 recession. That left a huge glut of unoccupied new homes on the market without many potential buyers.

According to the National Association of Realtors report released Tuesday, there were 4.1 million available for sale, representing nearly a 9.9 month supply. Such a high inventory competes directly with builders, as they have to curtail construction projects on new homes until supply and demand levels are more balanced.

But economists remained optimistic that a turnaround for builders would come in 2009.

"The housing market will not regain any balance until sales resume," said JPMorgan Chase economist Jim Glassman. "But this may be the worst of it."